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2 September 1958

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CENTRAL

INTELLIGENCE

BULLETIN



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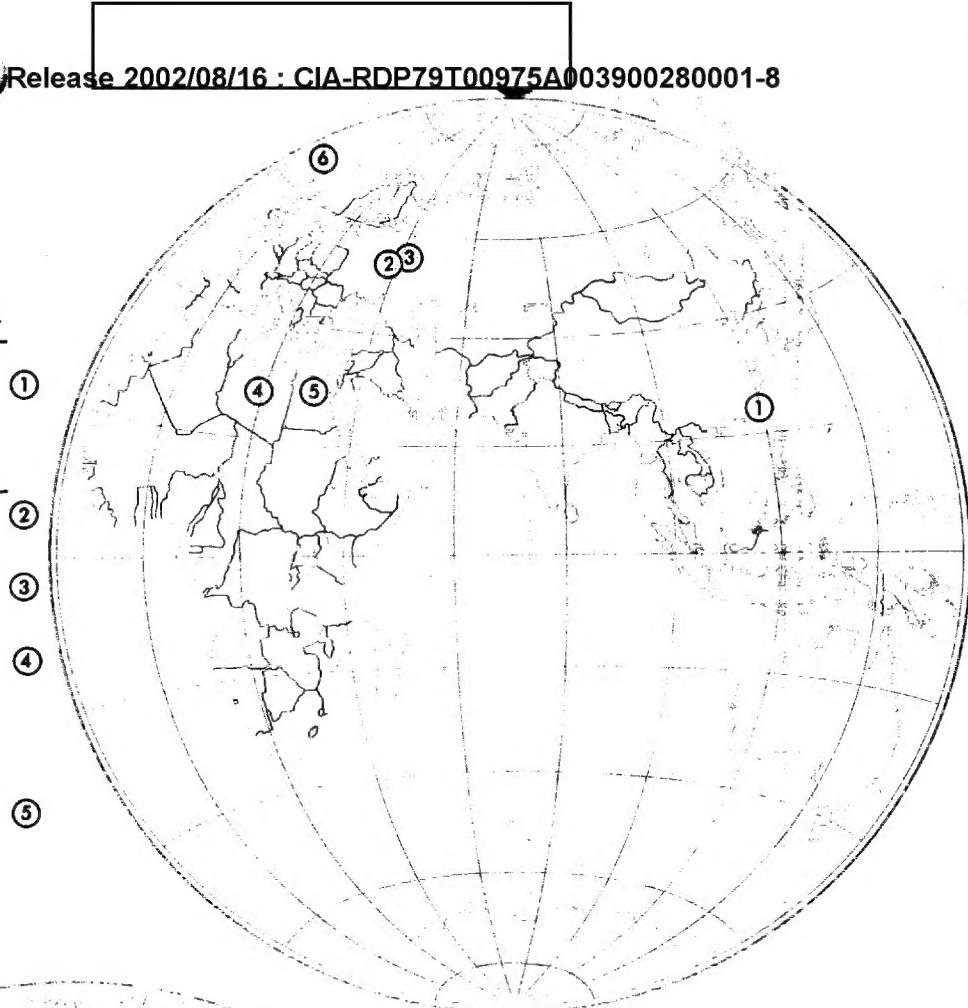
I. THE COMMUNIST BLOC

Taiwan Strait - General military lull continues; domestic propaganda commits Peiping still further to action against offshore islands.

USSR - Pravda promises Peiping "moral and material" help but stops short of committing USSR to any military action.

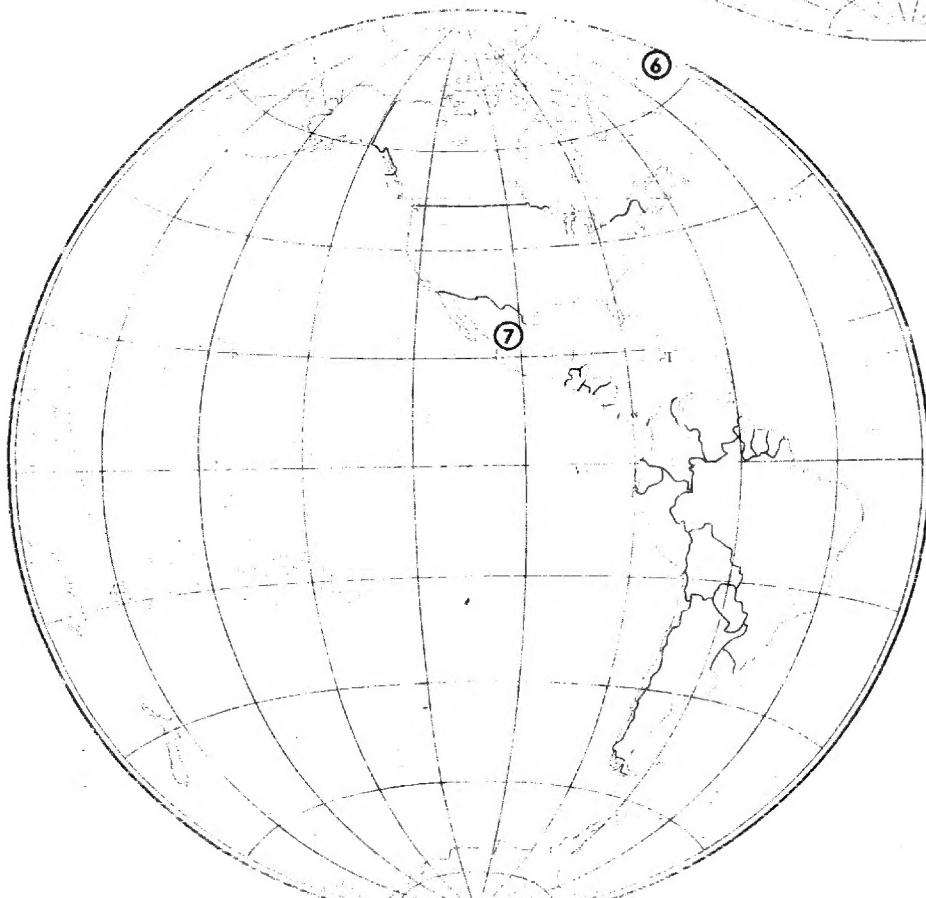
Khrushchev cuts short vacation, returns to Moscow.

USSR offers Libya broad economic aid program.



II. ASIA-AFRICA

UAR resumes propaganda attacks on anti-Nasir Arab governments.



III. THE WEST

⑥ British, Icelandic patrol ships avoid violence during first day of new fishing limits.

⑦ Leftists in Mexico exert increasing pressure for influence in next administration.

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CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

I. THE COMMUNIST BLOC

*Taiwan Strait situation (as of 0100 EDT, 2 September): The general lull in Chinese Communist military activity, which began on 30 August, has continued except for some naval action. Peiping's propaganda to its home audience has committed the Chinese Communists still further to action against the offshore islands.

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NO

USSR: Pravda declared on 30 August that the Soviet Union will give Communist China the "necessary moral and material help" and warned that any "aggression by the United States" in the Far East will inevitably lead to the spreading of war to other areas. The editorial was designed to arouse further world-wide apprehension over the prospect of general hostilities. The statement stops short of committing Moscow to any military action.

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NO

*USSR: Khrushchev has apparently cut short his vacation; he returned to Moscow from Yalta on 1 September. Relatively low level Soviet officials in Moscow apparently knew last week that he was returning, which makes it unlikely that the interruption of his vacation was unexpected. It is possible that Khrushchev returned preparatory to spending the remainder of his vacation elsewhere.

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NO

USSR-Libya: The USSR has submitted a broad offer of economic aid to Libya. Prime Minister Kubar fears acceptance would lead to an influx of Soviet technicians, but that rejection on the other hand would be used by the USSR to strengthen the hand of pro-Egyptian opposition forces.

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II. ASIA-AFRICA

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UAR propaganda: The UAR government-controlled press and radio have, after a brief lull, strongly attacked the leaders of anti-Nasir Arab governments despite the UNGA resolution of 21 August, in which the Arab states in effect pledged non-interference in each others' affairs. The Cairo press warned Jordan on 30 August that if quick arrangements were not made for withdrawal of foreign troops, "tension will return to the area, and this time it will be very severe and dangerous." The Syrian press has been assailing the governments of Jordan and the Sudan. In addition, on 28 August it launched the strongest attacks to date on Tunisian Prime Minister Bourguiba, comparing him with Iraq's late Nuri Said as an "agent of imperialism and an enemy of the Arabs."

III. THE WEST

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*Britain-Iceland: Incidents involving violence were avoided during the first day of Iceland's effort to enforce a 12-mile fishing limit, apparently because both Icelandic and British patrol ships were under instructions not to be the first to fire. Since each government remains determined to enforce claims incompatible with the other's position, however, such incidents could occur at any time. Denmark's proposal for NATO consideration of the dispute offers little prospect of immediate settlement in view of Iceland's adamant rejection last week of compromise efforts by fishery experts of eight nations meeting in Paris.

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Mexico: Last week's student and labor violence have contributed to an unstable situation which the American Embassy views with grave concern. While the 40-year rule of the Party of Revolutionary Institutions will be continued under President-elect Lopez Mateos, leftists who have won increased control of key unions will seek to influence the new administration.

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Taiwan Strait Situation (as of 0100 EDT, 2 September)

The general lull in Chinese Communist military activity, which began on 30 August, has continued except for one naval action. Only about 200 rounds were fired against the Kinmens (Quemoy) on 1 September, but firing increased early on the morning of 2 September, when more than 800 rounds were fired.

Twelve Chinese Communist motor torpedo boats were sunk by Nationalist naval units during the early morning of 2 September, according to a Chinese Nationalist communiqué. The Nationalists reported that 30 of their seamen were killed or wounded in the 90-minute engagement, and one Nationalist vessel was reported to have been torpedoed but apparently gained port. Earlier Nationalist announcements claimed that between late evening on 31 August and early morning on 1 September their artillery on Kinmen had sunk a total of 11 Communist vessels, including three gunboats, and had damaged five others.

The Nationalists also have reported that one LCM carrying supplies to Kinmen was sunk by Communist artillery fire during the evening of 31 August, the second Nationalist LCM sunk in this way. The Nationalists continue to move supplies and men to Kinmen and to evacuate wounded.

Peiping's defection appeals for the first time have been directed to Lieh Hsu (Little Quemoy). A 1 September broadcast called on the commander and his subordinates to "send someone to contact us" and to "be ready to lead all personnel" to cross over. The appeal was coupled with the warning that before long Communist artillery fire will "completely demolish your positions."

Peiping newspapers, which have reported only scant details on the situation, on 31 August headlined US "interference" in China's internal affairs and declared that such intervention cannot prevent seizure of the offshore islands. The newspaper commentaries appear further to commit the regime publicly to action against the islands.

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Pravda Warning on Taiwan Strait Crisis

The authoritative Pravda asserted in a 30 August article that the Soviet people support Communist China in its "just struggle" to gain control of Taiwan and the offshore islands and that the USSR will give the "necessary moral and material help." It warned that a threat of attack on Communist China is a threat to the Soviet Union as well, and that "aggression by the United States" in the Far East would inevitably result in an expansion of hostilities to other areas. This is Moscow's strongest statement to date but it stops short of committing the Soviet Union to military action in the event of an outbreak involving American forces.

The article, which cites expressions of alarm from the British, Japanese, and Indian press, appears designed to embarrass the United States by further arousing apprehension throughout the world over the prospect of large-scale hostilities. Moscow may call for a heads-of-government meeting to consider the "Far Eastern issue" or may raise the question at the UN. On two occasions in August, Soviet diplomats asserted privately that high-level consideration would have to be given this problem.

Soviet leaders apparently anticipate American retaliation to any Chinese Communist attack on the major offshore islands. Radio Moscow stated on 29 August that the remarks President Eisenhower made that week at his press conference "made it quite clear" the United States "would not hesitate to use armed force on Quemoy and Matsu."

Free World reaction to crisis: Comment in nations outside the bloc has not yet assumed significant proportions. Many nations seem to be awaiting developments. The absence of reported comment from Latin America and most of Africa suggests disinterest. Press and official opinion in a number of European and Asian countries concludes that Peiping is engaged in a political and psychological warfare maneuver, but is not prepared to risk World War III. There is no significant readiness outside the bloc to echo the Communist charge that the

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United States is gambling with global conflict for the sake of the offshore islands. At the same time there is very little sympathy for Taiwan's claim to the islands.

The consensus of British press and authoritative comment is that it would be difficult for the UK to support American intervention. Japanese officials apparently believe Tokyo would have to take a position disassociating itself from any US intervention. Indian official comment has been sparse and non-committal, although elements of the press tend to sympathize with Peiping.

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USSR Makes Broad Offer of Economic Aid to Libya

The USSR has submitted a broad offer of economic aid to Libya which would include financing, equipment, and assistance in petroleum exploration. Prime Minister Kubar fears acceptance would lead to an influx of Soviet technicians, but that on the other hand, rejection would be used by the USSR to strengthen the hand of pro-Egyptian opposition forces.

Earlier this year the USSR instigated rumors that it was prepared to offer Libya \$28,000,000 for economic development. Moscow apparently intended in this fashion to open the issue of Soviet economic relations with Libya. No offer was formally presented to the Libyans.

Although never officially acknowledged by Libya, a Soviet offer of two hospitals submitted in 1957 is apparently to be implemented, the facilities to be built and probably staffed by the USSR.

The USSR and Libya established diplomatic relations in 1955.

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Mexican Labor Troubles

Last week's labor and student riots in Mexico City were probably fomented by dissident, leftist labor leaders who are determined to gain stronger influence in the governing Party of Revolutionary Institutions (PRI).

Outgoing President Ruiz Cortines, in his 1 September message to the Mexican congress, warned that he would use force against further disturbances. However, his reluctance to act firmly against serious wildcat strikes earlier this year has already increased the power of the dissidents, [redacted]

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[redacted] The American Embassy fears President-elect Lopez Mateos may have to adopt a more leftist program when he takes office on 1 December as a result of these successes.

Control of the labor movement has been an important factor in the long, almost unchallenged rule of the PRI. Workers, however, increasingly hit by inflation and low wages, now complain that their politically motivated union leaders have failed to obtain for labor a fair share in Mexico's economic growth. The dissident leaders exploited this dissatisfaction. Their evident ability to make the government grant their demands has helped them to gain control of important unions, as well as among poorly paid teachers and politically active students. Many of the newly powerful labor leaders are Marxists, although they do not belong openly to Mexico's legal Communist party. Lopez Mateos, who was a strong minister of labor in the outgoing administration, will probably try to channel their demands into a program patterned on Mexico's own socio-economic revolution of 1910. [redacted]

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